

## Ahluwalia Contracts

### Margin miss

Ahluwalia (AHLU) reported revenue at Rs 5.4bn (8%/23% YoY/QoQ), beating our estimate by 13%. However, EBITDA/APAT at Rs 317/147mn missed estimate by 25%/42% as higher employee cost, provisioning for expected credit loss (Rs 80mn) and higher commodity prices impacted margin (5.9% vs 8.9% est.). AHLU won new orders worth Rs 20.9bn 9MFY21, taking the order book to Rs 82bn at the end of 3QFY21. Gross debt decreased to Rs 320mn from Rs 440mn in 2QFY21. With cash balance at Rs 2bn, AHLU remains a net cash company. We have cut our FY21/FY22/FY23 estimates by 14/17/9% to accommodate potential impact on margins of higher commodity prices. We maintain BUY on AHLU with a reduced TP of Rs 388 (13x Mar-23E EPS), given its robust order book, strong balance sheet, and better RoE/RoCE than peers.

- **Contraction in margins overshadows execution beat:** Execution recovered to pre-COVID level as Ahluwalia reported 3QFY21 revenue at Rs 5.4bn (+8/+23% YoY/QoQ, 13% beat). EBITDA margin deteriorated to 5.9% (-284/-196bps YoY/QoQ) on higher employee cost, provisioning for expected credit loss (Rs 80mn) and higher commodity prices. Consequently, PAT came in at Rs 147mn, a decline of 31%/39% YoY/QoQ and miss of 42%. Margin would continue to be lower in 4QFY21 and will normalise in FY22. Management expects revenue to grow by 15% in FY22, which we believe is very conservative, given its robust order book and strong execution capability.
- **Order book remains robust at Rs ~82bn (~4x FY20):** AHLU has won Rs 20.9bn of new orders 9MFY21 taking order book to Rs 82bn (Government 81%). The company has already bid for Rs 20bn of orders but is not expecting any major orders in the remainder of the year. It is also looking at hospital projects in Rajasthan and Maharashtra. For FY22, the order inflow guidance is Rs 20bn.
- **Balance sheet remains robust:** Gross debt reduced to Rs 320mn from Rs 440mn at the end of 2QFY21. With cash balance of Rs 2bn, AHLU remains a net cash company. In a bid to clean up the balance sheet, management has provisioned Rs 138mn in 9MFY21 and will further provide Rs 60mn in 4QFY21 against expected credit losses. Net of provision, contested/delayed receivables stood at Rs 1bn at the end of 3QFY21.

### Quarterly/Annual Financial summary (Standalone)

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	5,361	4,980	7.7	4,345	23.4	18,849	17,705	22,517	27,245
EBITDA	317	436	(27.3)	342	(7.3)	1,530	1,358	2,499	3,215
APAT	147	214	(31.0)	241	(38.8)	644	704	1,418	1,933
Diluted EPS (Rs)	2.2	3.2	(31.0)	3.6	(38.8)	9.6	10.5	21.2	28.9
P/E (x)						32.2	29.5	14.6	10.7
EV / EBITDA (x)						12.8	13.2	6.9	5.0
RoE (%)						8.4	8.5	15.2	17.7

### Change in Estimates (Standalone)

Rs mn	FY21E			FY22E			FY23E		
	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.
Revenues	17,705	17,094	3.6	22,517	22,517	(0.0)	27,245	27,245	0.0
EBIDTA	1,358	1,444	(6.0)	2,499	2,882	(13.3)	3,215	3,460	(7.1)
EBIDTA Margins (%)	7.7	8.4	(77.9)	11.1	12.8	(169.9)	11.8	12.7	(90.0)
APAT	704	816	(13.7)	1,418	1,701	(16.6)	1,933	2,115	(8.6)

Source: Company, HSIE Research

### BUY

CMP (as on 15 Feb 2021)	Rs 307
Target Price	Rs 388
NIFTY	15,315

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 403	Rs 388	
EPS change %	FY21E (13.7)	FY22E (16.6)	FY23E (8.6)

### KEY STOCK DATA

Bloomberg code	AHLU IN
No. of Shares (mn)	67
MCap (Rs bn) / (\$ mn)	21/283
6m avg traded value (Rs mn)	30
52 Week high / low	Rs 370/136

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	33.4	25.9	(5.6)
Relative (%)	13.9	(11.8)	(32.0)

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	58.00	58.00
FIs & Local MFs	24.60	25.87
FPIs	12.95	11.62
Public & Others	4.45	4.51
Pledged Shares	23.68	23.68

Source : BSE

Pledged shares as % of total shares

**Parikshit D Kandpal, CFA**  
parikshitd.kandpal@hdfcsec.com  
+91-22-6171-7317

**Chintan Parikh**  
chintan.parikh@hdfcsec.com  
+91-22-6171-7330

**Rohan Rustagi**  
rohan.rustagi@hdfcsec.com  
+91-22-6171-7355

**Disclosure:**

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

**HDFC securities****Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)